Murphy's Mart Eyes Satellite Dish: P. 8

Closet Organizers Find a Home: P. 16

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 23, NO. 14 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | JULY 9, 1984

Gold Circle Is First to Launch Chainwide Checkout Scanning

WORTHINGTON, Ohio—Gold Circle has pulled out in front of the discount store pack by launching the first chainwide rollout of holographic scanning at the checkout.

The move also makes the chain something of a role model among parent Federated Department Stores' chain divisions; corporate is encouraging them to borrow working programs from each other whenever possible instead of starting from scratch.

Gold Circle, based here, will set an example for sister discounter Richway, for example, which is planning to install scanners sometime in 1986, according to Joseph Sheram, vp of finance and distribution at the 30-unit, Atlanta-based chain.

By that time, Gold Circle will have smoothed out the rough spots in its system. Under current corporate thinking, Richway could only develop a totally new scanning system as a "last resort," if no other Federated division had created an adaptable program, said Sheram.

Gold Circle's leadership within the corporation has already been established: Mainstreet, Federated's newest apparel specialty division, will adapt many of Gold Circle's systems, with the capability to add scanning later.

In fact, the financial and data processing functions of the still-to-be-unveiled Mainstreet are currently handled through Gold Circle, a move Federated made to get the new venture off the ground as quickly as possible.

The first step to Gold Circle's chainwide scanning took place in mid-June when a pilot store was set up with three holographic scanners and an in-store UPC marking system in the Westerville, Ohio, store outside of Columbus. After the first week the reports from the pilot store were totally positive, according to Arvin Stotesberry, vp of management information systems (MIS).

"The only problem we had to solve was that we had 11 or 12 cashiers trained to use scanners and only three scanners. So they had to come up with a bartering system over who would run the scanners," he explained.

If the system continues to function without equipment or operational problems, the second phase of the UPC ticketing process, at the distribution center, will be up and running by July 16. Scanners will be up in all five Columbus stores by the end of July.

The rollout schedule follows a market-by-market plan to install scanners and train cashiers in all Dayton stores second, Cincinnati third, Pittsburgh fourth and the remaining markets afterward.

Right now only about 40% of the items sold at Gold Circle are vendor-marked with scannable UPC codes, said Stotesberry. The chain prints tickets for

(Continued on page 25)

% of Shoppers Who Usually Pay Less Than Full Price For . . .

Auto Supplies	54%
Dressy Clothing	55
Jewelry	59
Casual Clothes	64
Toys	70
Sporting Goods	73
Major Appliances	77
Electronics	80
Average Who Usually Pay Less Than Full Price	66%

Source: DSN/Leo J. Shapiro & Associates

Discountland Garners 37% of Cut-price Biz

NEW YORK—When Americans buy for less, they're doing it in discount stores just one-third of the time.

Full-liners, catalogers and specialty discounters together sell just 37% of goods rung up nationally at less than full price. In contrast, Sears, J. C. Penney and Montgomery Ward pull 54% of discounted sales, and department stores 9%.

Two-thirds of America's households usually pay less than full price for eight general merchandise categories—toys, casual and dressy apparel, electronics, major appliances, jewelry, sporting goods and automotive supplies.

These are among the major findings of a recent consumer survey conducted nationally for *Discount Store News* by Leo J. Shapiro & Associates, Chicago. A total of 1,688 households were polled on their pricing expectations of these categories of products.

"The full retail system is competing for customers by cutting prices," the survey said. "Americans expect to find discounts wherever they go."

Overall, shoppers expect to

(Continued on page 5)

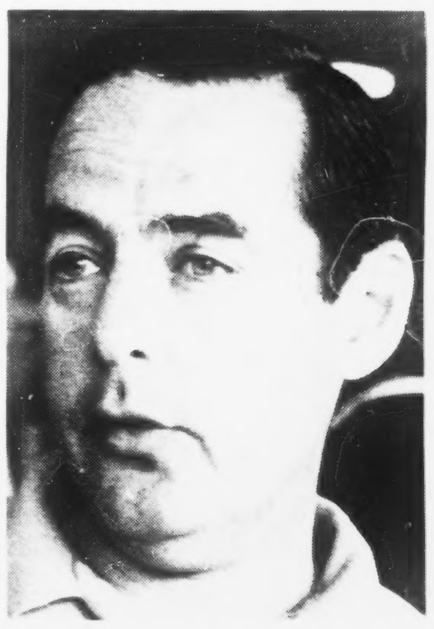
Federated to Add Specialty Div. And Fine-tune Nondept. Stores

NEW YORK—Federated Department Stores is paving more roads than just Mainstreet to insure a smooth route to volume growth outside the conventional department store realm.

All six of the company's non-department store divisions—Filene's Basement, Gold Circle, Richway, Ralphs supermarkets, Children's Place and Mainstreet—are being positioned for substantial earnings gains in the late 80's and 90's, Norman Matthews, a former Gold Circle chairman who is now corporate vice chairman in charge of all those divisions, told analysts meeting here.

Matthews added that the corporation is planning to launch a

(Continued on page 25)



Norman Matthews
Vice Chairman, Federated

Digest

July 9, 1984

CATALOG SHOWROOM NEWS

• **Très Bien, Baton Rouge,** La., decided to use a catalog and joined AMI. (p. 11)

DOMESTICS

• **More fashion goods are** being made available to mass marketers, but fear of slow delivery clouded a generally positive show week. (pp. 3, 12)

HARDWARE

• **Closet organizers are getting** more play from catalogers, but discounters' reaction ranges from lukewarm to cool. (p. 16)

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Crazy Eddie's Red Herring Shows Net On Rise After Marginal Profits in '83

By BRENT H. FELGNER

NEW YORK—Crazy Eddie's initial stock offering was set to go on sale this month, giving the industry and Wall Street their first-ever inside glimpse at the $140 million volume, 13-unit electronics chain.

What they've seen is a high-volume retailer that until recently has been just marginally profitable; a marketing-driven company, credited with being one of the originators of the "beat-any-price" system, whose net ad expenditures have been less than 1% of sales; a family-run company whose loans and outside investments have created a $2.4 million deficiency in working capital.

That view was provided in Crazy Eddie Inc.'s preliminary prospectus; company executives still refuse to speak to the press as they have for more than a decade.

The chain's red herring paints a picture of the controlling Antar family as a small conglomerate, with 36-year-old chairman Eddie Antar at the center. Over the last 10 years, the Antars have involved the company in at least 10 related businesses, seeded not only in retailing, but in such diverse ventures as a for-profit offshore medical school and an oil and gas limited partnership. Transactions involving those family businesses have created a $5.1 million debt currently owing to the corporation. Most of that amount is expected to be repaid from the Antars' 700,000-share portion of the stock sale, which overall involves a two-million-share offering.

Although the Antar family will still control more than 68% of Crazy Eddie after it becomes publicly owned, Eddie Antar has signed an employment agreement requiring the company to give him five years' no-

(Continued on page 26)

Crazy Eddie's Results

	Eight Months ended Jan. 31, 1984	% Increase Over Previous Year's 8 Months
Sales	$95,268,003	26.6%
Net Earnings	$3,089,594	222.5
Gross Margin	22.4%	3.6
Stores	13	—
Sales/ sq. ft.	$1,640	13.3
Sales per store	$7,490	8.9

Source: Crazy Eddie Inc. preliminary prospectus dated May 25, 1984

IN BRIEF

• **LEO ATKIND, FOUNDER** and chairman of NBO, a 14-unit, $50 million men's wear off-price chain, sold 50% of his company's stock to Dylex, the largest specialty retail operator in Canada. As a result, unit count of NBO will reach 35 by the end of 1987 with an average of seven new store openings a year starting in 1985. Although NBO's 14th store landed in the middle of Manhattan earlier this year, Atkind said the chain will seek out store sites in bedroom communities outside urban pockets. Dylex, with close to $1 billion in sales from 998 stores last year, will use the "partnership" with NBO as a foothold in the United States market.

• **AMES' BOARD VOTED A** 2-for-1 common stock split payable Aug. 10 to holders of record July 17. Stockholders cleared the way by approving an increase in common shares from 7.5 million to 30 million.

Consumers

(Continued from page 1)

pay less than full price one-third of the time at department stores and half the time at specialty retailers. At general merchandisers like Montgomery Ward, 63% of consumers believe they'll save, followed by Sears 52% and Penney 39%.

These expectations pale, however, next to ratings achieved by discounters. Nine out of 10 shoppers expect to pay less than full price at discount department stores and catalog showrooms; 67% of consumers expect the same at specialty discounters such as Toys "R" Us, Marshalls, Oshman's and Pep Boys, the survey revealed.

With sharp pricing clearly being discounters' major shopping lure, those able to raise consumer confidence about the quality of goods they sell will "capitalize on their natural advantage as a certain and predictable source of discounts," the survey said.

Moreover, discounters who emphasize merchandise categories on which shoppers most often pay less than full price will benefit, according to the survey. Overall, more shoppers pay discounted prices for electronics than any other category, 80%, followed by major appliances 77%, sporting goods 73% and toys 70%, the survey revealed.

Frequent price cutting and heavy advertising of sales are effective methods used by full-price retailers to lure consumers who seek to pay less than full price. This past March, three-quarters of American households recalled seeing sales; in all, 2 out of 3 reported seeing them from full-price retailers. More than half shopped the sales, and made purchases 80% of the time, the survey said.

Despite the attraction of sales at full-price retailers, shoppers view them with "a kind of love/hate relationship" because they perceive trade-offs, the survey said. Consumers believe sale periods are marked by poor variety and selection of merchandise, heavy crowds and goods that have been handled often by other shoppers, it added.

Moreover, shoppers think sales are timed to coincide with ends of seasons or poor weather, and that stores suspend customary service levels during sales—ranging from less floor assistance to limits on exchanges and returns, according to the survey.

"The more stable and predictable selling environment of [the discount] industry . . . contrasts dramatically with the uncertain price-cutting environment that is produced by sales. This contrast between the retailer whose nature and mission is to discount and the retailer who goes against his nature to conduct sales has become an important part of the consumer psyche," the survey said.

Yet sales are "formidable competition because they attract the customer who is also attracted by [discount retailers'] more predictable discounts," the survey concluded.

The most heavily price-oriented consumers—primary discount store shoppers—bought at sales more often than people who normally shop full-price stores, the survey revealed.

Consumers overall said merchandise quality and product performance are the most outstanding advantages of full-price retailers—and that leads them to buy goods at these stores when available at less than full price. Shoppers scored discount department stores highest on price and convenience—underscoring their need to upgrade their quality image.

That need occurs, according to the survey, because price becomes important to consumers only after they're convinced a store visit will unveil ample merchandise quality, variety and selection.

How Often Shoppers Expect to Pay Less Than Full Price

Category	General Merchandisers (Sears, Montgomery Ward, Penney)	Department Stores	Specialty Stores
Toys	53%	38%	52%
Casual Clothes	44	37	42
Jewelry	41	44	33
Auto Supplies	59	NA	47
Sporting Goods	63	35	59
Dressy Clothes	46	30	41
Electronics	67	73	67
Major Appliances	59	29	67

*NA-Not ascertained

Source: DSN Leo J. Shapiro & Associates

Discount Stores' % Share of Discount-Seeking Traffic

Category	All	Expect to Buy at Discount Store: Discount Department Store	Discount Specialty Store	Catalog Showroom	Expect to Buy From Full-Price Retailer
Toys	79	38	35	6	21
Sporting Goods	43	24	12	7	57
Electronics	41	17	12	12	59
Jewelry	32	7	1	24	68
Auto Supplies	30	24	6	—	70
Casual Clothes	21	16	5	—	79
Dressy Clothes	21	14	7	—	79
Major Appliances	14	9	—	5	86
Total	37	20	11	6	63

Source: DSN Leo J. Shapiro & Associates

Consumers Cite Disadvantages of Sales

No variety, selection	21%
Too crowded	19
Picked-over merchandise	19
I have no money when they run sales	12
Cannot return merchandise	4
Out-of-season/style merchandise	3
Weather	2
Sales are just a gimmick	1
Other	2
There are no disadvantages	17

Source: DSN/Leo J. Shapiro & Associates

% of Shoppers Who Say Retailer "Usually Has the Merchandise I Want at a Discount"

Conventional Retailers	
Montgomery Ward	63%
Sears	52
Penney	39
Full-line department stores	35
Specialty stores	50
Discount Stores	
K mart	87
All other discount department stores	87
Specialty discount chains	63
Catalog showrooms	86

Source: DSN/Leo J. Shapiro & Associates

Discount Stores Also Attract Traffic that Expects to Pay Full Price

Category	% of Discount Store Traffic That Usually Pays Full Price
Toys	22%
Casual Clothes	24
Jewelry	0
Auto Supplies	21
Sporting Goods	22
Dressy Clothes	14
Electronics	13
Major Appliances	15

Source: DSN/Leo J. Shapiro & Associates

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Top 100 Discount Industry Chains, P. 17

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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 23, NO. 15 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $20 for Census Issue. JULY 23, 1984

1984-85 DISCOUNT STORE CENSUS

In this issue, beginning on p. 15, *DSN* analyzes the current state of the $110.1 billion discount industry, including a comprehensive look at the most powerful full-line and specialty discounters and catalog showroom operators.

The top 100 discounters, each of whose annual volume last year exceeded $75 million, are ranked on p. 17 in this special census of the industry.

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T.G. & Y.'s Latest Exec Team Finalizing New Turnaround Plan

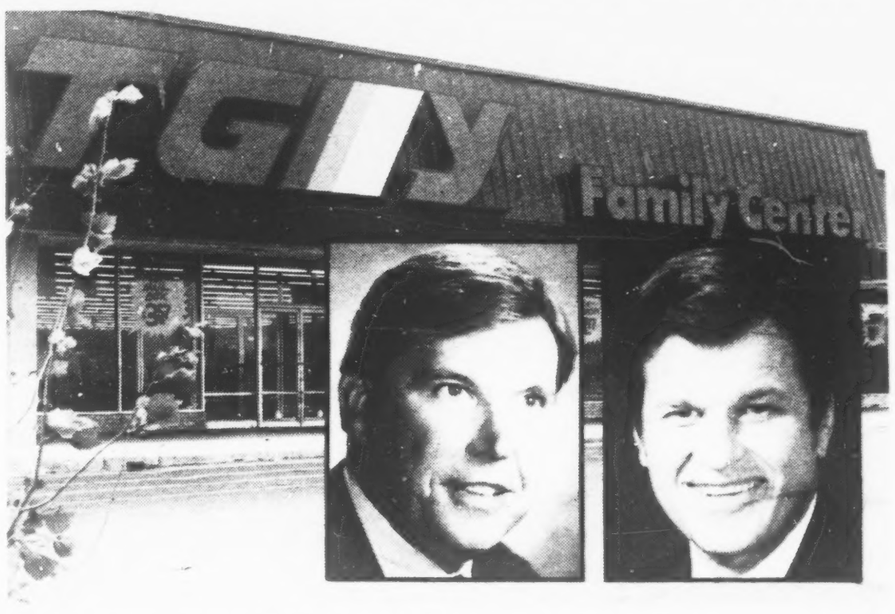
By BRENT H. FELGNER

OKLAHOMA CITY—T.G. & Y. is trying again—with another turnaround plan.

Five years and four management teams after the chain first moved to make the final break from its variety store ways of doing business, executives are still trying to direct a runaway field operation controlled by 500 fiercely entrepreneurial discount store managers; buy and track inventory in a rudderless merchandising system, and clearly identify a place for the chain in the market.

But, inconsistency and poor communications have ruled.

The latest executive to inherit those problems is 20-year Penney veteran John Herron, installed as T.G. & Y.'s president last October. After several months of cleaning out the chain's executive suite to make way for his own team, Herron, with the sometimes conflicting directions of parent company Household Merchandising president Bernard Brennan, formulated the key elements of a strategic plan.



An authority split between T.G. & Y. president John Herron (l.) and his boss Bernard Brennan, president of parent Household Merchandising, may hurt T.G. & Y.

Both Herron and Brennan declined to be interviewed about T.G. & Y.'s present or future course. Doing so now would be "premature," since the plan was still being finalized, Herron said. More than 30 present and former executives, competitors and suppliers who would talk requested anonymity, given the uncertain political climate or their continued dealings with the chain.

Most said that while T.G. & Y.'s latest turnaround

(Continued on page 4)

Glass, Trading Posts With Shewmaker, Seen Rising in Wal-Mart Succession

BENTONVILLE, Ark.—The lines of succession seem to be solidifying at Wal-Mart.

In an unusual flip-flopping of jobs and responsibilities, David Glass has become president and chief operating officer, posts previously held by Jack Shewmaker, who has taken Glass' former duties as vice chairman and chief financial officer.

The realignment of responsibilities now has Glass reporting directly to Walton, with all divisions, including financial under Shewmaker, reporting to Glass. Previously, all divisions, including financial then headed by Glass, reported to Shewmaker, who answered directly to Walton.

As for the switch in jobs between Glass, 48, and Shewmaker, 46, some security analysts

(Continued on page 122)

Still very much the entrepreneur, Sam Walton (center with a T-shirt-clad Arkansas Governor) took another bold step and had president Jack Shewmaker (l.) and vice chairman David Glass (r.) swap jobs.

Target Wins 2nd DISC Award

MINNEAPOLIS—Target has won the *Discount Store News* 1984 Discounter Service to the Community (DISC) Award for its contributions to nonprofit community organizations, United Way, Goodwill Industries, Santas Anonymous and Toys for Tots.

The DISC Award is presented annually by *Discount Store News* to the discounter that has made the most outstanding effort on behalf of the community during the previous year.

This is Target's second DISC award. The chain also won in 1979.

This year's competition drew a record number of entries, including submissions from Wal-Mart, Roses, K mart, Zayre, Jamesway, Bradlees and Service Merchandise.

The judges for the 1984 award were Richard I. Hersh, president, National Mass Retailing Institute; Stanley Berkovitz, vp, consumer and community affairs, Zayre; Jim von Gremp, director, public and Government affairs, Wal-Mart; Barbara Thatcher, manager, community relations, Target, and Avery Roberts, senior vp, human resources, Roses.

In 1983, Target contributed $1.7 million to community non-

(Continued on page 122)

IN BRIEF

- **LIONEL CORPORATION, OPERATING UNDER CHAP**ter 11, has pulled out of its fifth attempt in a year to sell its interest in Dale Electronics. The company called off an agreement to sell its 82% interest in Dale to Dynamics Corporation of America for $59.5 million. Lionel is now free to consider offers like the one it had earlier this year for $67 million from Square D Company.
- **CHARLES HUBER, HEAD OF CLOSEOUT RETAILER** Shoppers Choice, has returned to the catalog showroom field by becoming senior vice president, hard lines merchandise manager of H. J. Wilson. Before joining Shoppers Choice about four years ago, Huber had been vice president, merchandising for Modern Merchandising.

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